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UNITED STATES - EUROPEAN COMMUNITY RELATIONS

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WASHINGTON, March 8, 1972 . . . . . Secretary of State William Rogers issued his second annual report to the United States Congress yesterday on U.S. foreign policy entitled "United States Foreign Policy, 1971; A Report of the Secretary of State." This report is considered a supplement to the President's Foreign Policy Report to Congress of February 9. Here follows the full text of that portion of the Secretary's report which is addressed directly to the European Community:

(Begin text)

American policy has consistently supported the evolution and enlargement of the European Community (EC). We welcomed, therefore, the successful conclusion of the landmark negotiations at the year's end looking toward the formal entry on January 1, 1973, of Britain, Ireland, Denmark, and Norway into the Community.

As the Secretary said on December 1, 1971, "Since the days of the Marshall Plan, the unity and strength of Western Europe have been central objectives of American foreign policy; we will not cease to be active supporters of these objectives now that they are on the threshold of success." The United States believes that European unity contributes to the broader U.S. objective of a peaceful and prosperous world and enables Europe to participate more fully in the expansion of world trade, the economic growth of the developing countries, and the evolution and security of the Atlantic Community. The formation of a European identity in diplomacy and defense and the Community's progress in those fields are steps in this direction.

In June 1971, at the time of the final agreement in principle between the EC and the United Kingdom on British entry, President Nixon congratulated the European Community Commission, the member Governments of the Six and the United Kingdom, hailing this decision as a milestone in Europe's progress toward unity. Again, on October 28, when the British Parliament voted to approve British entry into the EC, the President and Secretary of State both welcomed that historic decision.

Changes, however, resulting from the enlargement and strengthening of the EC have an impact on U.S. interests. We are seeking to insure that the Community takes fully into account the interests of the United States and other nonmembers. To this end, the United States has intensified consultation not only with the EC but also with the Governments of the member states and prospective members. In October 1970, the United States and the EC established a new consultative mechanism for periodic policy-level exchanges of information and views on a broad range of economic matters. Three meetings in this forum were held in 1971.

In his February 1971 Report to Congress, President Nixon expressed support for these consultations. He said he would welcome implementation of any EC suggestion for expanding the exchanges, including the possibility of higher level Community representation in Washington. In April the EC announced plans to set up a permanent delegation in Washington. In October the Delegation's Chief, Ambassador Mazio of Italy, presented his letter of accreditation to the Department of State.

The need for close U.S. and EC consultation on trade matters is increasingly evident. An enlarged Community of 10 nations will account for about 22 percent of world exports as compared to the current 17 percent. The population of the Ten is 255 million, 67 million more than in the original Six. The United States has consistently run large trade surpluses with the Community, averaging approximately dollars 1 billion a year. Although the U.S. trade surplus declined from about Dollars 1.8 billion in 1970 to dollars 865 million in 1971, the Community was the only major industrialized area with which the United States maintained a 1971 trade surplus. Total U.S. exports to the EC were dollars 8,389 million, and total U.S. imports from the EC were dollars 7,524 million. Estimated 1971 agriculture exports from the United States to the EC were at an all-time high of dollars 1.8 billion, exceeding the record year of 1966. The book value of U.S. direct investment in the Six reached dollars 11.7 billion in 1970. The book value of U.S. direct investment in all of Europe in 1970 was dollars 24.5 billion. European direct investment in the United States was valued at dollars 9.5 billion of which dollars 3.5 billion was from the EC. The return to the United States from its direct investment in Europe in 1970 was slightly over dollars 1 billion, nearly three-quarters of which came from the EC.

Most U.S. problems with the EC have been related to its high agricultural support prices and subsidized export of the resultant surpluses to third countries. The United States is

also concerned with the extension of preferential arrangements and any discriminatory effects on U.S. trade which may result from free trade arrangements between the EC and those countries of the European Free Trade Association (EFTA) which are not applicants for membership. The United States had expressed its concern to the EC on these matters both bilaterally and, in the case of existing arrangements, in the GATT.

In the latter part of the year, problems which arose in the wake of the New Economic Policy became the dominant issues between the United States and the EC. Prior to that time, the EC had postponed further action on its plans for monetary union announced in February 1971 because of difficulties in the international monetary system.

A major monetary issue was resolved on December 18 when we reached agreement with our major trading partners on a new and more realistic set of exchange rates. At year's end the United States was also negotiating with the EC to settle trade issues involving specific commodities.

Further EC progress toward economic integration will bring with it major changes in international economic relations, which will be felt increasingly throughout the 1970's. A key task of U.S. policy will be to insure that these changes are consistent with the objective of maintaining and expanding the liberal world trading system. The United States believes that even closer and more intensive relations with the EC will be necessary to achieve this goal.

There has been continued progress in developing regular political consultations among Community countries. In November 1970 the Foreign Ministers of the EC met for the first time to consider foreign affairs questions. Subsequently there have been additional ministerial and lower level meetings. The Ministers have discussed the Soviet proposal for a conference on European security and cooperation and other East-West relations. They have kept the United Kingdom and other applicants informed of the proceedings. The most recent Ministerial consultations took place in Rome in November 1971 on the possibility of a 1972 Community summit conference, including not only the present members but also the four applicants. The proposed summit agenda covers economic and monetary union, EC consultative processes and relations with other countries, particularly the United States.

In the past year the European Community has become increasingly concerned about insuring an adequate future supply of enriched uranium fuel for European power reactors. As a result of expressed interest on the part of the Europeans, exploratory talks between the United States, member states of the European Atomic Energy Community (EURATOM), and the United Kingdom were held in November on the possible use of U.S. technology in the construction abroad of a multinationally owned and operated gaseous diffusion plant for producing enriched uranium. (End text)

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